

pool to lend \$20,000,000 in the market. But it was a storm which soon passed. The buyers of the cornered stock accepted a moderate settlement by the "shorts," prices of securities promptly recovered, and the day after the panic money was loaned again as low as three per cent.

Speculation raged violently through the year 1902, but received a serious check in 1903. Prices of securities, both railway and industrial, had reached a height which repelled the public and imposed caution upon the banks. In February, 1903, began the decline in the price of pig iron, which was not checked until, from \$24.25 per ton, it had fallen by successive stages to \$15.50 in November.<sup>1</sup> Inevitably, the profits of the Steel Corporation declined, the price of its common stock fell from 397/8 to 10, and of the preferred shares from 89<sup>1</sup> to 49<sup>1</sup>, and in the autumn it became necessary to suspend the dividend on the common stock. Other industrial shares suffered in like proportion, and at times during the summer of 1903 grave results were feared for the entire economic order. The fall in quotations for iron was due in large measure to the restriction of orders from the railways, which were influenced primarily not by the decline of business, but by the scarcity of capital. When it was found that bonds issued at low rates for long terms of years could not be sold to advantage, recourse was had in many cases to notes, running for only two or three years, and paying over these short periods a much higher rate of interest than bonds.<sup>3</sup> A large volume of new securities, however, was still undistributed in the hands of rich men and powerful syndicates, and their heavy losses led to the designation of the long period of liquidation as "the rich man's panic." By skilful support of the market, so that the decline in prices was spread over several months, the worst consequences of the crisis were averted. The industrial depression proved only temporary, and by the summer of 1904 specula-

<sup>1</sup> Raffalovich, *Le Marché Financier en 1903*, 770.

<sup>2</sup> The sum of \$129,600,000 was outstanding in railway notes in April, 1904, all issued since July 1, 1903, and paying from 5 to 6 per cent, interest.—*New York Evening Post*, April 23, 1904.